Advancement | UCF Foundation, Inc.

BOARD OF DIRECTORS
Finance Committee Meeting Minutes

Tuesday, July 28, 2020
2:00 p.m. – 2:30 p.m.

LOCATION:	Zoom Meeting
ATTENDEES:	Alan Florez, *Chair*, Tony Moreno, *Vice Chair*, Theresa Borcheck, Kyle Simpson, Eva Tukdarian
ABSENT:	Clint Bullock, Kevin Miller, Karl Hodges
STAFF:	Hina Behal, Jen Cerasa, Glen Dawes, Lauren Ferguson, Chris Meister, Joseph Mera

Chair Alan Florez called the meeting to order at 2:03 p.m. and stated that the meeting was covered by the Florida Sunshine Law and the public and press were invited to attend. Roll call was performed, and a quorum was confirmed. Chair Florez asked the Committee members if there were any conflicts of interest to declare regarding the items of business listed on the agenda. No conflicts of interest were declared by the Committee members.

CaPFA Bond Refinancing

Glen Dawes, Chief Financial Officer, presented the following information regarding a proposed change to an agreement with the Capital Projects Finance Authority (CaPFA). Dawes stated that in 2000 the University of Central Florida Foundation (UCFF) entered into an agreement with CaPFA to finance and construct student housing projects, Knights Circle with approximately 744 units and The Pointe at Central with approximately 432 units, on property owned by UCFF.

Under the original indenture agreement signed in 2000, surplus revenues, after payment of debt service and operating expenses, were to flow to the Foundation in the form of ground rent payments. Payments were received until 2011 when the cost of rehabilitation of all the buildings at Knights Circle required the infusion of approximately $62M by the municipal bond insurance company. The rehabilitation was required to remediate water damage due to construction defects in all buildings comprising Knights Circle, which were funded by advances from the insurance company. The repayment of the $62M has absorbed all surplus revenues since 2011 and will continue to absorb all surplus revenues until the additional capital has been repaid, which is estimated to be in late 2029.

To restore the surplus revenue flow, UCFF is partnering with CaPFA to support the refinancing of the 2000 Bonds. The refinancing will allow surplus revenues to flow to UCFF starting in March 2022. The estimated annual surplus is ~$2M - ~$4M. The release test is subject to meeting the debt coverage ratios that have been established per the agreement.

Chair Florez asked for a UCFF Debt and Financing schedule. Dawes replied there is not one in the packet but would provide with future refinancing requests. Dawes explained that this is CaPFA's debt and not the UCFF. Director John Euliano asked if there is a downside to not refinancing and Dawes replied that UCFF would continue to not receive any surplus funds but with the refinancing UCFF could receive between $2M-$4M starting in March 2022.

A motion was made by Eva Tukdarian and seconded by Kyle Simpson to approve the resolution for CaPFA Bond Refinancing as presented. The motion passed unanimously.

UCF Foundation Debt Refinancing

Dawes shared that with interest rates at historical lows, the UCF Foundation has identified two opportunities for possible debt savings, the refinancing of Series 2009 Promissory Note and Series 2018 Promissory Note. Dawes shared the following background on each promissory note:

Series 2009 Promissory Note

The Series 2009 Note were originally issued for the purpose of refinancing the Research Pavilion, Institute of Simulation and Training, and Orlando Tech Center Buildings. The Notes consisted of a $12,640,000 tax exempt Note and a $7,385,000 Taxable Note. The Taxable Note was paid off October 1, 2017 and currently only the Tax-Exempt Note is outstanding. The Tax-exempt Note is currently outstanding in the aggregate principal amount of $9,775,000 and matures annually through 2025 at an interest rate of 4.96% and is callable at any time without a call premium. The 2009 Note is secured solely by a Mortgage on the properties. Truist proposed a taxable rate of 2.39% which would result in $120,000 - $130,000 in annual savings. Over the remaining 6-year life of the note, the present value savings are estimated net $650,000.

Dawes stated that as part of the analysis the Foundation looked at two alternatives: (1) refunding using tax exempt debt and (2) refunding using taxable debt. The Foundation would save approximately $150,000 annually and $770,000 over the life of the financing assuming a tax-exempt refinancing and $130,000 annually and $650,000 over the life of the financing under taxable refunding. However, by refinancing the loan with taxable debt, the Foundation would increase its ability to lease the property to both tax-exempt entities and for-profit entities, while still providing significant debt service savings to the Foundation. Dawes noted that given the uncertainty in the post COVID environment, the Foundation could benefit from having this flexibility.

Series 2018 Promissory Note

The Series 2018 Note was for the purpose of the acquisition of the L3 Building (now Digital Learning) located in Central Florida Research Park. The Series 2018 Note has an outstanding balance of $5,792,000 and a final maturity of October 1, 2038. The Note has an interest rate of 3.93% but is subject to a "Put" on any date on or after December 11, 2029. The Series 2018 Note has a call premium of 2% prior to January 1, 2024. Like the Series 2009 Note, the Series 2018 Note is secured solely by a Mortgage on the property.

Based on initial discussion with Truist, the Foundation may be able to save approximately $40,000 annually, a total of $360,000 through July 1, 2029 (12/11/2029 Put Date). The debt would be issued under the same provisions on the existing bonds. Truist verbally agreed to waive the 2% prepayment penalty on the Notes.

Dawes stated that as part of the analysis the Foundation looked at two alternatives: (1) refunding using tax exempt debt and (2) refunding using taxable debt. Considering this building has been highly customized to suit the needs of the UCF Digital Learning Division and the Continuing Education Division, the Foundation does not anticipate a change in tenant mix. Dawes recommended the continuation of the tax-exempt debt to maximize available debt service savings.

Chair Florez commented on the insurance of the building and wanted to make sure that our assets, structure and who we rent to does not impact our Stafford insurance eligibility. Behal assured the Committee that there is no impact. Director Tukdarian asked if these numbers were actual savings for the debt refinancing. Dawes replied that they were estimates and the final numbers would not be received until all the approvals were received. Cerasa explained that if approved by the Committee, it would proceed to the Executive Committee, the Foundation Board, the UCF Finance and Facilities Committee and the final stop would be the UCF Board of Trustees. Director Tukdarian requested a caveat that would allow the refinancing process to be reviewed again if UCFF did not receive at least 10% in savings.

<u>A motion was made by Director Eva Tukdarian to recommend the approval of refinancing the Series 2009 and Series 2018 Promissory Notes, as presented or with terms substantially similar, to the Executive Committee. Additionally, the motion included a condition that if the savings were less than 10% of the presented terms the Executive Committee would be notified.</u>

<u>Teresa Borcheck seconded the motion.</u>

<u>The motion passed unanimously.</u>

As there were no additional comments from the public, staff, or Committee, Chair Florez adjourned the meeting at 2:43 p.m.

Respectfully submitted,

Alan Florez 10/08/2020 09:16 EDT

Alan Florez, *Chair*
UCF Foundation Board of Directors
Finance Committee

Prepared by: Lauren Ferguson, Board Liaison, UCF Foundation

Approved by Finance Committee on 9/30/2020.